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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 003044

SIPDIS

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TAGS: [ECON](#) [ETTC](#) [ETRD](#) [IZ](#) [JO](#)

SUBJECT: JORDAN'S ECONOMIC OLD GUARD FLEXES MUSCLES

REF: A. AMMAN 1721

[B.](#) AMMAN 2334

Classified By: Ambassador Edward W. Gnehm, reasons 1.5 (b,d)

SUMMARY

[¶11.](#) (c) Anti-normalization, pro-Iraq, and anti-reform elements in Jordan's business community are trying to re-establish themselves in the kingdom's economic decision-making arena. These recidivist groups have been encouraged by an increase in anti-American, and hence anti-globalization, feeling since Israeli incursions into Palestinian areas stepped up earlier this year. While their strengthened influence is probably temporary, it could complicate the GOJ's progress on promoting economic openness in the short term. End summary.

POWER PLAY IN AMMAN CHAMBER OF INDUSTRY

[¶12.](#) (c) The Amman Chamber of Industry (ACI) announced in late April that 10 of the 12 members of its board of directors had resigned. Officially, this followed an expression of no confidence by the majority of board members in ACI Chairman Othman Bdeir's ability to manage the chamber's interests. Unofficially, the move is believed to be a power play by influential businessmen who sell their products to Iraq under the bilateral oil and trade protocols (led by former ACI chairman Khaldoun Abu Hassan) to regain control of the ACI and re-energize and re-orient its political activities. The two remaining board members are also pro-Iraq, and have ties to Abu Hassan and to PM Abul Ragheb and former Trade Minister Wasef Azar (all of whom are seen as supporters of the Iraq trade). We have also heard from government contacts that one of the reasons for the resignations was a belief by some members that the ACI was not doing enough to advocate for a boycott of US products. It is unclear at this point if the interim board appointed by Trade Minister Bashir and that includes a number of forward-thinking businessmen will be able to solidify its position and remain in place, or if Abu Hassan will succeed in re-taking control of the ACI.

NEW CHAMBERS LAW WORRIES PRO-QIZ GROUPS

[¶13.](#) (c) Meanwhile, Irbid Chamber of Industry (ICI) chairman Maher al Nasser told us recently that a law reforming the operations of Jordan's three local chambers of industry is currently under consideration in the cabinet. Nasser worried that the law is a bid by the ACI to merge the chambers into a single chamber under its control. Nasser called this potentially disastrous, as the ACI is dominated by Palestinian Jordanians who, he said, want to politicize the chambers. He said ACI members want other chambers to support a boycott of U.S. products, support "anti-normalization" efforts (i.e. oppose doing business with Israel), and give assistance to the Palestinian cause. An East-Banker and chairman of a chamber that has many QIZ exporters as members (and hence does extensive business with Israel), Nasser said the impact of such a law on the ability of the chambers in Irbid and Zarqa to pursue liberal trade practices could be severe.

[¶14.](#) (c) In a separate conversation, Trade Ministry Secretary General Samer Tawil told Econ chief that the proposed law would not subsume the other chambers under the ACI, but would instead establish an additional body, a national federation of chambers of industry, as an umbrella group. The local chambers would retain their separate identities. He said a federation would function similarly to the existing federation of chambers of commerce (note: this body is a highly politicized, but largely ineffective and essentially marginal grouping of equally ineffective local chambers of commerce. End note.). Tawil said the current system, which dates from 1949, was in dire need of reform to help Jordanian companies upgrade their standards and market themselves to be able to take advantage of opportunities under the FTA and other new trade programs - rather than continue to rely on the Iraqi market. He was, however, worried that a new law would require new chamber elections that in the current

political environment could put anti-normalizers and pro-Iraq elements in control. Thus, he said he would advocate delaying chamber elections if the new law is enacted.

COMMENT

15. (c) The dramatic worsening of the situation in the West Bank over the past two months created an opening for old-guard elements of the business community to re-insert their agendas into the economic policy debate in the kingdom. They hope to take advantage of an increase in popular displeasure with the GOJ's relationships with Israel and the U.S. to push a politicized economic agenda focused on monopolizing government contracts, trade with Iraq, and anti-normalization. Such efforts by economic reactionaries are reflective of ongoing tensions between different segments of Jordan's business community -- between old guard, subsidy-dependent industrialists and new economy businessmen, and between "pure" private sector business interests and those who wish to tie economic decisions to political stands on Iraq and Palestine.

16. (c) Although distracted by the regional political situation in recent months (ref a), the GOJ commitment to reform highlighted in the King's recent visit to Washington means the momentum for economic liberalization will continue.

Indeed, senior GOJ officials tell us they are finalizing a number of new economic reform bills, for which they expect to secure cabinet approval before the end of June (septel). In the short run, though, the momentum of reform will be slowed to the extent that the old guard is able to capitalize on political developments to advance their self-interested agenda.

Gnehm